

Providing first-class customer service has been a core tenet of my agency's mission and work, and I'm proud to report that we had another successful tax filing season this year.

We processed nearly 3 million tax returns, returned \$2 billion in taxpayer refunds in an average of 2.1 business days, answered more than 200,000 phone calls and responded to 20,000 emails.

With tax season now behind us, we're focused on another important task — reuniting Marylanders with their unclaimed property. Currently, my office has custody of over 76,000 accounts worth \$64 million. We want to get that money to their rightful owners, so my office will be travelling

the state in the coming weeks and months encouraging citizens to check the unclaimed property list. Marylanders can also search our database by going to **www.marylandtaxes.com**.

Lastly, I'd like to remind Marylanders that Shop Maryland Tax-Free Week is August 14, 2016 through August 20, 2016. Shop for clothing and shoes at your favorite retailers and pay no sales tax on any single qualifying article of clothing or footwear priced \$100 or less — regardless of how many items are purchased. This is a great way to support Maryland's economy and save money at the same time!

Peter Franchot
Comptroller of Maryland

Shop Maryland Tax-Free Week, August 14-20

Comptroller Peter Franchot encourages shoppers to take advantage of Maryland's tax-free week which begins Sunday, August 14, and runs through Saturday, August 20. During that time, any single, qualifying article of clothing or footwear priced \$100 or less — regardless of how many items are purchased — will be exempt from the state's 6 percent sales tax.

"Getting a break from the 6 percent sales tax during Shop Maryland Tax-Free Week on clothing and shoes can make a real difference and help families save their hard-earned money," said Comptroller Franchot.

(Continued on Page 5)

Comptroller Peter Franchot Announces:

TAX-FREE WEEK Shop Maryland!



August 14-20, 2016 www.marylandtaxes.com



Peter Franchot
Maryland Comptroller

No sales tax on qualifying clothing or footwear priced at \$100 or less!



COMPTROLLER
of MARYLAND
Serving the People

New Tax Changes for 2016

The General Assembly passed the following changes affecting Maryland tax laws for 2016

INCOME TAX – Administrative

House Bill 648 and Senate Bill 757 *Alcoholic Beverage Taxes – Electronic Filings of Returns* The bills add subsection (f) to Section 5-201 of the Tax Code, requiring the Comptroller to develop and implement procedures by Jan. 1, 2018 for electronic filing of alcoholic beverage returns which are required to be filed under Section 5-201. The bill takes effect Oct. 1, 2016.

House Bill 484 and Senate Bill 288 *Income Tax – Corporation Returns – Filing Date* The bills change the date by which certain corporations must complete an income tax return with the Comptroller. Corporations filing an income tax return will be required to complete and file a return by April 15 of the taxable year, or, if tax is computed for a fiscal year, by the 15th day of the 4th month after the end of that year. The bills took effect July 1, 2016, and apply to all taxable years beginning after Dec. 31, 2015.

House Bill 1054 - *Penalties – Assessment Schedule* The bill reduces to 10% the maximum penalty that the Comptroller is required to assess if a person fails to pay income tax when due. The Comptroller previously was required to assess a penalty not exceeding 25% of unpaid income tax. This bill took effect on July 1, 2016 and will apply to all penalties assessed on or after July 1, 2016.

House Bill 1148 - *Retirement Income – Collection of Information* This bill requires the Comptroller to make form changes to the personal income tax form to collect information on retired individuals. Specifically, the form must collect the amount of income from sources such as: a retirement plan that is part of an employee retirement system, an IRA or IRC § 408 annuities, a simplified employee pension under IRC § 408(k) and other retirement income.

The bill also requires the Comptroller to make form changes to the personal income tax form that will allow the Comptroller to collect information on an individual's total Social Security benefits received and State pension received.

The Comptroller is required to report on the information collected to the General Assembly by Jan. 1, 2018. This bill

took effect on July 1, 2016.

House Bill 1333 and Senate Bill 185 - *Income Tax – Filing of Withholding Statements* The bills alter the date by which employers or payors of amounts subject to income tax withholding are required to provide the Comptroller with a copy of certain statements from February 28th of each year to January 31st of each year. The bills took effect July 1, 2016.

Senate Bill 425 - *Maryland Income Tax Returns – Warrant Intercept Program – Statewide* The bill authorizes counties to participate in a program which allows them to withhold certain individual's income tax refund if the sheriff of the county notifies the Comptroller of the county's intent to participate in the program on or before December 31st of the taxable year. The bill also repeals a provision of the law that prohibited the withholding of certain members of the armed forces of the United States' income tax refund and requires the Governor's Office of Crime Control and Prevention, in consultation with the Comptroller, to conduct an annual study and provide an annual report of the income tax returns withheld through the program. This bill takes effect Oct. 1, 2016, and remains in effect for three years until Sept. 30, 2019.

INCOME TAX – Subtractions

Senate Bill 374 - *Income Tax Subtraction Modification – College Savings Plans – Contributions* This bill expands the eligibility of the college savings plan income subtraction modification by allowing each person that contributes funds to a qualified plan to claim the subtraction modification. Previously, only account holders who contributed funds were eligible to claim the subtraction modification. This bill took effect July 1, 2016, and applies to tax year 2016 and beyond.

House Bill 1014 and Senate Bill 676 - *College Affordability Act of 2016* The bills create a matching State contribution for accounts of eligible applicants established under the Maryland College Investment Plan after Dec. 31, 2016. For investment accounts established under the plan after Dec. 31, 2016, a State contribution may be made if: (1) the qualified beneficiary of the investment account is a Maryland resident; (2) the account

holder submits an application to the board or its designed between January 1 and June 1 of each year; and (3) the account holder has Maryland taxable income less than or equal to \$112,500 for an individual or \$175,000 for a married couple filing a joint return in the previous taxable year. The State matching contribution is \$250 per beneficiary. The minimum contribution necessary to receive a State matching contribution varies with Maryland taxable income. An investment account holder is not eligible for the existing subtraction modification for contributions to an investment account in any taxable year in which the account holder receives a State contribution. The State contribution is excluded from the account holder's taxable income for State income tax purposes. Beginning in tax year 2017, individuals who have incurred \$20,000 or more in undergraduate student loan debt and have at least \$5,000 in outstanding undergraduate debt qualify for a refundable credit of up to \$5,000; however, the credit must be used to pay the student loan debt within two years. The bills took effect July 1, 2016. Provisions related to tax credits apply beginning in tax year 2017.

House Bill 431 – Maryland Achieving a Better Life Experience (ABLE) Program – Establishment The bill requires the College Savings Plans of Maryland (CSPM) Board, in consultation with the Maryland Department of Disabilities (MDOD) to establish, administer, manage, and promote the Maryland Achieving a Better Life Experience (ABLE) Program. The ABLE program is created to encourage and assist individuals in saving private funds to support individuals with disabilities to maintain their health, independence, and quality of life. The bill creates an income tax subtraction modification for contributions to an ABLE account similar to the subtraction modifications for contributions to existing 529 plans. This bill took effect July 1, 2016, and applies to tax year 2016 and beyond.

Senate Bill 1016 – Public Safety and Policing Workgroup – Recommendations The bill creates an income tax subtraction modification for the first \$5,000 of income earned by a law enforcement officer to the extent included in federal adjusted gross income if: (i) the law enforcement officer resides in the political subdivision in which the law enforcement officer is employed; and (ii) the crime rate in the political subdivision exceeds the State's crime rate. "Law Enforcement Agency" has the meaning stated in § 3-201 of the Public Safety Article. "Law Enforcement Officer" means an individual who in an official capacity is authorized by law to make arrests; and is a member of a law enforcement agency, including a law enforcement officer who serves in a probationary status or at the pleasure of the appointing authority of a county or municipal corporation.

"Maryland Police Training and Standards Commission" means the unit established under § 3-202 of the Public Safety Article

The bill establishes on or before Sept. 1, 2016, and every three years thereafter, the Maryland Police Training and Standards Commission shall certify to the Comptroller the political subdivisions in which the crime rate exceeds the State's crime rate.

Provisions related to the subtraction modification and the certification provided by the Maryland Police Training and Standards Commission to the Comptroller shall be applicable to all taxable years beginning after Dec. 31, 2015

INCOME TAX – Credits

House Bill 276 and Senate Bill 137 – Income Tax Credit

– Preservation and Conservation Easements The bills expand the existing credit for preservation and conservation easements by permitting a pass through entity (PTE) member claim the credit. The bills also increase the easements eligible for the credit by allowing easements conveyed to the Department of Natural Resources to qualify for the credit. The Board of Public Works must approve the credits for pass-through entities on a first-come, first-served basis with no more than \$200,000 in aggregate credits being claimed by members of pass-through entities in a taxable year. The Comptroller must adopt regulations to specify the procedures for a member of a pass-through entity to claim the credit. The bills took effect July 1, 2016, and apply to tax year 2016 and beyond.

House Bill 1012 – Tax Credit – Commuter Benefits – Eligibility and Credit Amount The bill increases the allowable amount per employee of the income and insurance premium tax credit that a business may claim for their cost of providing commuter benefits for the employees. A business may claim a credit of \$100 per employee per month. The bill decreases the minimum seating capacity of a vehicle used in vanpools that may be eligible for a credit from eight seats to six. This bill took effect July 1, 2016

House Bill 1167 – Biotechnology Investment Tax Credit- Investment in Qualified Companies in Low-Income

The bill alters the amount of the credit allowed against the State income tax for investments in qualified Maryland biotechnology companies located in Allegany, Dorchester, Garrett, or Somerset counties. The credit is now equal to 75 percent of the investment, with a maximum credit of up to \$500,000 allowed. This bill took effect June 1, 2016, and is applicable to tax certificates issued after June 30, 2016.

(Continued on Page 6)

'Sheriff' Franchot Hot on the Trail Looking for Unclaimed Property Owners


Sheriff Franchot, aka Comptroller Peter Franchot, and his trusted steed Abacus are on a mission this summer and fall in search of the rightful owners of abandoned bank accounts, security deposits, insurance benefits, and safe deposit boxes. He's planned stops with his staff at local fairs and festivals to help reunite Marylanders with Unclaimed Property accounts worth more than \$1 billion.

"I've saddled up Abacus and we've been hitting the trail to find Marylanders to reunite them with money owed to them," Comptroller Franchot said. "Right now, my office has more than one million accounts worth more than \$1 billion."

Last year, more than 4,200 people discovered and received more than \$485,500 in unclaimed funds after visiting the agency's booth at fairs and festivals. One visitor to the Maryland State Fair discovered an unexpected windfall of \$13,204. There were similar occurrences at the Montgomery County Fair, where someone retrieved \$23,036, and at the 50+ Expo in Howard County, where an attendee claimed \$35,186.

Each spring, a list of new accounts is published and distributed in local newspapers statewide. Taking a creative approach to raising awareness about the Unclaimed Property program, Comptroller Franchot appears on this year's cover of the insert as Sheriff Franchot. Alongside him in a promotional video is his trusted quarter horse, Abacus, heading out throughout the state in search of Unclaimed Property recipients.

Financial institutions, insurance companies and corporations are required by law to notify the Comptroller's Office of any property that has gone unclaimed, or without activity, for more than three years. Once reported to the agency, staff works to locate the rightful owners to match them with their property. Funds are available to be claimed at any time, with no statute of limitations.

In Fiscal Year 2015, the Comptroller's Office honored nearly 56,000 claims totaling more than \$66 million. Since 2007, the Comptroller's Office has returned more than \$450 million in Unclaimed Property. To search the Unclaimed Property database online, visit www.marylandtaxes.com. 



Sheriff Franchot and his horse, Abacus, ride out to find Unclaimed Property owners in Maryland.

Upcoming Fairs and Festivals 2016

Montgomery County Fair

August 12-20
16 Chestnut St.
Gaithersburg, MD

Maryland State Fair

August 26-September 5
Maryland State Fairgrounds
2200 York Road
Timonium, MD

Prince George's County Fair

September 8-11
Show Place Arena
14900 Pennsylvania Ave.
Upper Marlboro, MD

Anne Arundel County Fair

September 14-18
Route 178
1450 Generals Highway
Crownsville, MD

Frederick County- Great Frederick Fair

September 16-24
797 E. Patrick St.
Frederick, MD

Senior Expo/ Baby Boomer Expo

October 26-27
Maryland State Fairgrounds
2200 York Road
Timonium, MD

Howard County 50+ Expo

October 31
Wilde Lake High School
5460 Trumpeter Road
Columbia, MD

Comptroller Wins Award for Financial Reporting for 37th Year


For the 37th consecutive year, the Office of the Maryland Comptroller has received a Certificate of Achievement for Excellence in Financial Reporting from a North American government finance organization.

The Government Finance Officers Association of the United States and Canada (GFOA) honored the agency for Maryland's fiscal year 2015 Comprehensive Annual Financial Report (CAFR), continuing a streak that started in 1978. It is the highest form of recognition in the area of governmental accounting and financial reporting.

"We hope that your example will encourage other government officials in their efforts to achieve and maintain an appropriate standard of excellence in financial reporting," said Stephen J. Gauthier, director

of the Technical Services Center at GFOA in notifying Comptroller Peter Franchot of the award.

Comptroller Franchot said he was proud to accept it on behalf of his agency and noted that it validates the work done by his highly professional staff: "As the state's chief fiscal officer, I strongly advocate for transparent government. One of my top priorities is to keep our agency running in the most efficient and effective way possible."

The CAFR was judged by an impartial panel to meet high standards of the program, including demonstrating a constructive "spirit of full disclosure" to clearly communicate its financial story and motivate potential users to read the publication. For more information on the award program, visit the GFOA website at www.gfoa.org. 

Comptroller's Office Accepts New Power of Attorney Forms

Beginning July 1, the Comptroller's Office began accepting completed Maryland Form 548 (Power of Attorney) or a completed Maryland Form 548P (Reporting Agent Authorization) as power of attorney forms for Maryland tax purposes.


The Form 548P will replace the federal Form 8655 (Reporting Agent Authorization) as a power of attorney form for Maryland tax purposes.

The Comptroller's Office will continue to accept a completed federal Form 2848 (Power of Attorney and Declaration of Representative) or a completed federal Form 8821 (Tax Information Authorization) as power of attorney forms for Maryland tax purposes through Dec. 31, 2016. Federal Form 8655 and generic Power of Attorney Forms will not be accepted.

Beginning Jan. 1, 2017, the Comptroller's Office will only accept Maryland Form 548 and Maryland Form 548P as power of attorney forms for Maryland tax purposes.


Note: The Maryland Form 548 is a power of attorney for tax purposes. This form will not replace a durable power of attorney or any other power of attorney form authorized by Maryland law. The completed Maryland Form 548 should include all identifying information for the taxpayer including: name(s), address, Social Security number(s), signature(s) and date.

The tax representative or appointed authority authorized to have power of attorney and to receive and inspect confidential tax information for the taxpayer must specify on the form the representative's name, mailing address, daytime telephone number, and signature.

There is no such thing as a "Verbal POA." If a taxpayer calls and their representative is present the taxpayer can give permission for the representative to speak to us at that time. However, the approval is for that phone call at that time only. 

(Continued from Page 1) Tax-Free Week, August 14-20

"Local retailers also benefit by the increased foot traffic in their stores and, I hope, a bump in revenue." The Comptroller will promote the annual shopping event at various retail locations across the state to encourage shoppers to take advantage of the sales tax break on back-to-school clothes and shoes.

For more information on qualifying items, visit the Comptroller of Maryland's Website at www.marylandtaxes.com, e-mail taxhelp@comp.state.md.us or call 410-260-7980 in Central Maryland or toll-free at 1-800-MD-TAXES. 



New Tax Changes for 2016

House Bill 1168 - Cybersecurity Investment Tax Credit- Investment in Qualified Companies in Low-Income Areas

The bill alters the amount of the credit allowed against the State income tax for investments in qualified Maryland cybersecurity companies located in Allegany, Dorchester, Garrett, or Somerset counties. The credit is now equal to 50 percent of the investment, with a maximum credit of up to \$500,000 allowed. This bill took effect June 1, 2016, and is applicable to tax certificates issued after June 30, 2016.

Senate Bill 936 - Maryland Clean Energy Incentive Act of 2016 This bill extends the termination date of the clean energy incentive tax credit from Dec. 31, 2015 to Dec. 31, 2018. The bill also alters the definition of “qualified Maryland facility” by removing facilities that produce electricity from a qualified energy resource that is co-fired with coal.

This bill also establishes the Maryland Clean Energy Incentive Tax Credit Reserve Fund and authorizes the Governor to include an appropriation in the budget bill to the Reserve Fund for fiscal years 2018 and 2019.

Upon notification from the Maryland Energy Administration regarding the final credit certificate issued during the quarter and transfers an amount equal to the credit amount stated in the initial credit certificate to the general fund. This bill took effect July 1, 2016.

Senate Bill 1112 - Income Tax – Aerospace, Electronics, or Defense Contract Tax Credit Program This bill creates a tax credit against the State income tax for a business that is certified by the Department of Commerce as operating a qualifying aerospace, electronics, or defense contract tax

credit project. The Comptroller must recapture the credit if the business does not maintain the minimum requirements under the bill. This bill took effect July 1, 2016 and terminates June 30, 2021.


PROPERTY TAX

Senate Bill 322 – Homeowners’ Property Tax Credit

This bill requires the Comptroller to review a list of owners of residential properties with an assessed value of \$300,000 or less that will be provided by the State Department of Assessments and Taxation (SDAT). The Comptroller must identify individuals who may be eligible to claim the Homeowners’ Property Tax Credit, but have failed to do so. The Comptroller must then provide the contact information of such individuals to SDAT. This bill will take effect on Oct. 1, 2016.

SALES AND USE TAX

House Bill 1533 and Senate Bill 1062 – Baltimore County – Sales and Use Tax Exemption – Redevelopment Areas

The bills exempt from the State sales and use tax a sale of construction material or warehousing equipment, if the material or equipment is purchased by a person for use on a privately owned industrial complex in Baltimore County that was owned by Bethlehem Steel Corporation, or any of its subsidiaries, and was the subject of an approved application for participation in the Voluntary Cleanup Program. The buyer of the materials or equipment must provide the vendor with evidence of eligibility for the exemption issued by the Comptroller. This bill took effect July 1, 2016 and terminates June 30, 2021. 

Franchot Joins National Colleagues in Support of Greater Board Diversity

Maryland Comptroller Peter Franchot joined a group of state and local officials, including Maryland Treasurer Nancy Kopp, in stating that corporate boards have been too slow to diversify their ranks and that institutional investors should increase their focus on board diversity as a corporate governance priority.

The June 1 joint statement emphasizes that racial, gender and sexual orientation diversity are critical dimensions of effective board composition and performance.

“More corporations must decide that board diversity

is a priority – corporate boards need the right skills and perspectives to effectively communicate with their stakeholders,” Franchot said.

Statistics show board diversification has been slow or has regressed. White directors hold 85 percent of the board seats at the largest 200 S&P 500 companies, and the percentage of those boards with exclusively white directors has increased over the last decade.

Men occupy 80 percent of all S&P 500 board seats. It is also estimated that there are fewer than 10 openly lesbian,

(Continued On Page 7)

Trade Journal Honors Comptroller's Fraud Detection Model

The Maryland Comptroller's Office was one of the winners of a "StateScoop 50 Award" in the category of State IT Program for devising a computerized sleuthing system to identify tax returns that are likely fraudulent. Catching fraudulent returns before paying out refunds has saved Maryland taxpayers millions of dollars and has also freed up tax examiners to help taxpayers working on legitimate returns.

"I'm extremely proud of my team of experts working to catch fraudsters, and in the process, protecting the people of Maryland," Comptroller Peter Franchot said. "This award is for designing the technological equivalent of a better mousetrap. We will continue to get better and better at stopping fraud — and the scammers who think they can get away with it should be on notice."

The StateScoop 50 Awards "highlight the best and brightest in the state IT community," the organization reported. The awards "honor innovators, innovative initiatives and up-and-coming leaders in state and local government." Recipients were selected in an online vote open to anyone and marketed to state and local government IT professionals. More than 80,000 votes were cast.

The winners were honored May 4 with a reception at the Hyatt Regency in Baltimore during the National Association of State Chief Information Officers midyear conference.

The Office of the Comptroller "red flagged" fraudulent tax returns using a new set of identifying metrics that led to a significantly higher accuracy rate — returns the system initially flagged as fraudulent were reviewed by expert examiners to determine whether the red flag by the software was appropriate. Use of the new strategy

gay, bisexual, or transgender directors among Fortune 500 companies.

The 14 co-signers, many of them longtime leaders on the issue of board diversity, are fiduciaries for pension funds responsible for the retirement security of six million participants and with more than \$1 trillion in assets under management.

Comptroller Franchot and the other elected officials will be reaching out to pension fund leaders urging them to join the call for an increased focus on board diversity. ❧



Joining Comptroller Peter Franchot, center, in accepting the award are, from left: Assistant Director of the Bureau of Revenue Estimates (BRE) David Van Remoortere; BRE Director Andrew Schaufele; Deputy Comptroller Sharonne Bonardi; IT Assistant Director Robin Aro; and Kathy Henry, manager of the Special Projects Section in the Revenue Administration Division.

also enabled the agency to identify more than 60 tax preparation firms sending a high number of questionable returns. Those firms were then informed that the agency would no longer process returns from them.

StateScoop provides news on state IT activities on its website. It is part of Scoop News Group, which also publishes FedScoop and EdScoop. For more information about the awards, see StateScoop on the web at www.StateScoop.com. ❧

Other signatories include:

John Chiang, California State Treasurer
Betty Yee, California State Controller
Kurt Summers, Chicago City Treasurer
Denise Nappier, Connecticut State Treasurer
Michael Frerichs, Illinois State Treasurer
Nancy Kopp, Maryland State Treasurer
Deborah Goldberg, Massachusetts State Treasurer
Scott Stringer, New York City Comptroller
Thomas DiNapoli, New York State Comptroller
Ted Wheeler, Oregon State Treasurer
Alan Butkovitz, Philadelphia City Controller
Seth Magaziner, Rhode Island General Treasurer




Comptroller Franchot Reports \$5.6 Million Rebate from State's Purchasing Card Program

Comptroller Peter Franchot announced in June that the State of Maryland has received a \$5.6 million rebate from U.S. Bank, the result of 78 state agencies spending more than \$273 million on small purchases through Maryland's Corporate Purchasing Card program.

"This program is an effective way for state agencies to make small purchases, provide for better accountability and allow vendors to receive payments in a timely manner," Comptroller Franchot said. "This is just one of the many ways our office saves taxpayers money each and every day."

The current contract for purchasing card services was approved by the Board of Public Works in 2013, with U.S. Bank delivering a higher rebate percentage than the previous vendor. The \$5.6 million rebate covers purchases made from April 2015 through this April.

The state began using a corporate purchasing card program in March 1997. Since then, the state has purchased \$3.8 billion in goods and services, while receiving \$51.2 million in rebates. 



Revenews is a quarterly publication of the Comptroller of Maryland, printed in Annapolis, MD.

Inquiries concerning Revenews can be directed to:

Office of Communications

PO Box 466

Annapolis, MD 21404-0466

410-260-7300 (voice)

TTY users call via Maryland Relay at 711

or 1-800-735-2258

Executive Editor: Alan Brody

(abrody@comp.state.md.us)

Content Writer/Editor: Barbara Sauers

(bsauers@comp.state.md.us)

Writer: Emmanuel Welsh


(ewelsh@comp.state.md.us)

Design/Layout: Deirdre Tanton

(dtanton@comp.state.md.us)

To subscribe online, visit www.marylandtaxes.com
and search for Revenews.

PRESORTED
STANDARD
U.S. POSTAGE
PAID
PERMIT #7876
BALTIMORE, MD


COMPTROLLER
Serving the People
REVENUES
Comptroller of Maryland
Goldstein Treasury Building
PO Box 466
Annapolis, MD 21404